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Prices of farm products are going through the second period of decline in the last 12 months.

The first occurred early last year. From January 15 to mid-February 1948, the index of prices received by farmers dropped 9 percent, one of the sharpest one-month drops in the history of the index. Most of the decline was due to sharp reductions in prices for food and feed grains, oil bearing crops, cotton and meat animals.

The drop was short-lived. Stimulated by third round wage increases, the cut in income taxes which upped consumer incomes and big outlays for national defense and foreign aid, farmers' prices soon resumed their climb. By mid-July, most of the loss had been regained.

The second decline began last August. Although prices dropped more slowly, the loss was greater than in the February break. In mid-January, the index of prices received by farmers was 268, the same as in December and 11 percent below the July figure of 301.

During both periods of farm price declines, average wholesale prices of all commodities also fell off. In each case, however, the loss was largely accounted for by drops in farm products and food. From January 13, to February 17, 1948, average wholesale prices of products other than farm and food were off only one-half percent. From August 17, 1948 to January 18, 1949, prices of these products as a group rose a little. Recent weakness in fuel and lighting materials, textiles, house furnishings, and leather products has been offset by rising prices of metals and metal products.

Recently, industrial production has fallen some and demand for some consumer goods has weakened. Post-holiday rise in unemployment was sharpest since the war ended.

Prospects do not indicate another upsurge in economic activity like the one that occurred after the declines of last February. Nor does the outlook indicate a substantial downturn.

Current high government spending is an important support to the economy. If Congress approves outlays in the President's budget, the increase will be large enough to offset moderately lower private spending.

FARM INCOME Realized net income of farm operators for 1948 is now estimated at 17.4 billion dollars, two percent less than in 1947. A 3 percent gain in gross farm income was more than offset by an 8 percent rise in farm production costs.

LIVESTOCK AND MEAT Demand for meat has declined from the unusually high level of last summer; is now about the same as in late 1947.

A seasonal decline in meat production is likely in the next month or two. If demand holds at January level, higher prices for hogs and lower grade cattle are probable. Prices of better grade cattle may hold fairly steady until spring and then decline seasonally.

DAIRY PRODUCTS Consumer demand for dairy products is expected to continue strong through 1949. Storage demand the first half of this year is likely to be considerably weaker. Milk production for 1949 probably will be up a little from 1948.

In early January, prices of milk for fluid use declined slightly; those for nonfat dry milk substantially.

POULTRY AND EGGS About 3 percent fewer layers were on farms January 1 than a year earlier. During the first half of this year, however, a higher rate of lay is likely to keep total farm egg production about the same as in the first six months of 1948.

Egg production in December set a record for the month. Prices from mid-December to mid-January were off 5.7 cents, a seasonal decline.

At the beginning of the year, farmers' intentions to purchase turkey poults indicated that 25 percent more turkeys may be raised than in 1948. Marketings in quantity will not begin until the third quarter, and prices are likely to stay high until then.

FATS AND OILS Prices of most fats and oils declined 4 to 5 cents from November to January. The wholesale price index for January was about a fourth below the 1947-48 average. Output of soybean, cottonseed, corn and peanut oils in 1948-49 may total 10 to 15 percent higher than in 1947-48.

FEED GRAINS Farmers' were getting only about half as much, on the average, for feed grains in January as a year earlier when prices hit new peaks. Since the lows of last fall, feed grain prices have been gaining; are expected to continue to do so for a few months.

WHEAT Only about 120 million bushels of wheat must yet be procured, if 1948-49 exports are to reach 500 million bushels. CCC stocks plus purchases through January 31, totaled 290 million bushels. Since June 30, 1948, private concerns have bought about 90 million bushels for export.

Wheat prices fell below the support level in January, reversing the uptrend of August to November.

FRUITS AND VEGETABLES Prices for most fruits this winter probably will stay slightly higher than a year earlier. Fewer apples and pears were in cold storage on January 1 than at the beginning of 1948. January freezes have reduced citrus supplies.

Farmers produced 10 percent more certified seed potatoes last year than the previous record crop of 1947. A large part of them will again have to be sold for table use. Prices to farmers are expected to average lower than in 1947.

Winter crops of lima beans, snap beans, celery and cucumbers for the fresh market probably will bring higher prices to farmers than last year since supplies will be down. On the other hand, production will be larger and prices probably lower for carrots, eggplant, escarole, kale and tomatoes. Storage stocks of cabbage are heavy and prices probably will be lower than last winter even though fresh supplies are smaller.

Demand for canned and frozen vegetables is expected to continue strong this winter. Stocks of most canned vegetables are slightly smaller than last year.

COTTON AND WOOL More than twice as much cotton had been exported through November this season than in the same period of 1947-48. ECA countries took two-thirds of the 960,000 bale total. Domestic mill consumption so far this season is down nearly 7 percent from a year earlier. Spot cotton prices in January were highest for the season.

Prices for most types of wool set new records when foreign auctions reopened in early January. Strong domestic demand and higher replacement costs of foreign wool have reduced U. S. wool stocks sharply.

TOBACCO Most of the 1948 burley crop had been sold by the end of January. Prices have averaged only slightly below the 1947 record of 48.5 cents.

WORLD FOOD SITUATION Because of a recovery in European food production and large crops in North America and Australia, people in many foreign countries are eating better than at any time since the war ended, the Office of Foreign Agricultural Relations reports. Several countries, particularly in Europe, have been able to increase rations or end rationing of some foods entirely. However, food consumption and stocks in most importing countries still are well below prewar.

European food production is providing only 3 percent less food than prewar but population growth has added about 10 percent more mouths to feed. Food imports in 1948-49 must be larger than prewar to keep consumption, on a calory basis, near prewar. Chief shortages in Europe this year are meats and fats and oils. Grain supplies are up sharply.

The rise in Far Eastern food production has lagged behind Europe. Although up slightly from 1947-48, the Far East continues to need large imports. Before the war these countries exported more than they imported. Because of inflation and political and military disturbances, food is scarce in many cities.

Early reports indicate that world acreage of winter food crops for harvest in 1949 is larger than last year. Although conditions are not as good as a year ago in all areas, prospects generally are favorable.

